

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-13

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 /102 W

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R 240500Z AUG 76

FM AMEMBASSY SANA

TO SECSTATE WASHDC 8912

INFO AMEMBASSY JIDDA

C O N F I D E N T I A L SANA 2969

E.O. 11652: GDS

TAGS: EAID, EFIN, YE, SA

SUBJECT: SAUDIA ARABIA FAILS TO INCREASE LEVEL OF YAR BUDGET
SUBSIDIARY

REF: 76 SANA A-24

1. BEGIN SUMMARY. YAR MINFINANCE MUHAMMAD JUNAYD RECENTLY RETURNED FROM SAUDI ARABIA HAVING FAILED IN HIS BID TO OBTAIN INCREASE IN THE LEVEL OF SAUDI ARABIA'S ANNUAL BUDGET SUPPORT FOR YARG FROM DOLLARS SIXTY TO DOLLARS EIGHTY MILLION. WHILE YARG OFFICIALS DISAPPOINTED BY THIS NEWS, MOST DO NOT BELIEVE BUDGET PERFORMANCE FOR FY-77 WILL BE SERIOUSLY AFFECTED. END SUMMARY.

2. SINCE THE RESUMPTION OF SAUDI-YEMENI DIPLOMATIC RELATIONS IN 1970, SAG'S MOST IMPORTANT FOREIGN AID CONTRIBUTION TO YEMEN HAS BEEN THE SUBSIDIZATION OF THE YARG'S ANNUAL BUDGET DEFICIT. THESE SUBSIDIES HAVE BEEN INSTRUMENTAL IN PERMITTING YARG TO FINANCE ITS CURRENT EXPENDITURES.

3. IN RECENT YEARS, SUBSIDIES FROM SAUDI ARABIA HAVE APPROXIMATED ONE-THIRD OF THE EXPENDITURES TOTAL, RISING
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TO A HIGH OF DOLLARS SIXTY MILLION LAST YEAR. FOR FY-77,

YARG ANTICIPATES DEFICIT WHICH -- THOUGH
LOWER IN PERCENTAGE TERMS (30 PER CENT FY -77 VERSUS 35 PER CENT
FY-76) -- MAY REACH OVER EIGHTY MILLION DOLLARS.

4. DESPITE THIS DOLLARS TWENTY MILLION INCREASE OVER LAST
YEAR AND ALTHOUGH SAG OFFICIAL REPORTELY TOLD YARG DURING

PRINCE SULTAN'S SPRING VISIT THAT SAUDI ARABIA PREPARED TO
ONLY MAINTAIN AND NOT INCREASE LEVEL OF BUDGET SUPPORT, MOST
YEMENI OFFICIALS HAVE BEENCONFIDENT THAT THEIR NORTHERN NEIGHBOR
WOULD AGREE TO INCREASE THEIR COMMITMENT ONCE FORMAL REQUEST MADE.

5. THUS, EARLIER THIS MONTH MINFINANCE JUNAYD -- THE PRINCIPAL
ARCHITECT OF
THIS YEAR'S BUDGET -- DISPATCHED TO SAUDI ARABIA TO DELIVER FORMAL
REQUEST FOR AN INCREASE IN BUDGET SUPPORT. ACCORDING TO MINDEV-
ELOPMENT ABD AL-KARIM AL-IRYANI,
JUNAYD LEFT HIS PAPERS IN SAUDI ARABIA, HOWEVER, AND RETURNED TO
SANA EMPTY-HANDED.

6. COMMENT. ALTHOUGH IRYANI CLEARLY DISAPPOINTED WITH
JUNAYD'S UNPRODUCTIVE VISIT, HE IS NOT PARTICULARLY WORRIED OR
SURPRISED. MOST YARG OFFICIALS RECOGNIZE -- IF NOT ALWAYS APPRECIATE

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THAT SAUDI ARABIA ALREADY MAJOR DONOR HERE. WHILE SOME YARG
OFFICIALS CONFIDENT ADDITIONAL BUDGET SUPPORT CAN BE OBTAINED FROM
OTHER PETRO-ARAB SOURCES, OTHERS MORE REALISTICALLY BELIEVE
SUADIS WILL EVENTUALLY ALLOW THEMSELVES TO BE PERSUADED TO
INCREASE THEIR SUPPORT TO A LEVEL HIGHER THAN LAST YEAR. IN
ANY EVENT, THERE IS SOME DOUBT HERE WHETHER THE BUDGET DEFICIT
WILL ACTUALLY INCREASE TO THE PROJECTED DOLLARS EIGHTY MILLION
LEVEL GIVEN GROWING LIMITATIONS ON THE ABILITY OF THE YEMENI
ECONOMY TO ABSORB ANTICIPATED PROJECT EXPENDITURES.
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